

REPORT OF THE SPECIAL STUDY MISSION
TO CHILE, PERU, AND THE DOMINICAN
REPUBLIC

NOVEMBER 6-19, 1965

COMPRISING

Hon. EDWARD R. ROYBAL, California, *Chairman*

Hon. DONALD M. FRASER, Minnesota

Hon. F. BRADFORD MORSE, Massachusetts

OF THE

COMMITTEE ON FOREIGN AFFAIRS

PURSUANT TO

H. RES. 84, 89TH CONGRESS, A RESOLUTION AUTHORIZING
THE COMMITTEE ON FOREIGN AFFAIRS TO CONDUCT
THOROUGH STUDIES AND INVESTIGATIONS OF ALL MAT-
TERS COMING WITHIN THE JURISDICTION OF SUCH
COMMITTEE



JULY 20, 1966.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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REPORT OF THE SPECIAL STUDY MISSION TO CHILE AND THE DOMINIAN REPUBLIC

1952

On February 20, 1952, the Special Study Mission
left Honolulu for Santiago, Chile, and the Dominican
Republic.

1. PURPOSE OF THE MISSION

The purpose of the mission was to study the
social and economic conditions of the people of
Chile and the Dominican Republic, and to
compare them with the conditions of the people
of Hawaii.

The mission was organized by the Department of
Social Sciences, University of Hawaii, and was
led by Professor [Name].

U. S. GOVERNMENT PRINTING OFFICE

WASHINGTON, D. C. 20540

1952

FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C., July 20, 1966.

This report has been submitted to the Committee on Foreign Affairs by a special study mission to Chile, Peru, and the Dominican Republic in November 1965.

The findings and recommendations in this report are those of the special study mission and do not necessarily reflect the views of the membership of the full Committee on Foreign Affairs.

THOMAS E. MORGAN, *Chairman.*

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C., June 30, 1966.

Hon. THOMAS E. MORGAN,
*Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: I am submitting for consideration by the Committee on Foreign Affairs the report of the Special Study Mission to Chile, Peru, and the Dominican Republic in November 1965. As you will note, all members of the study mission visited Chile, and Representative Fraser and the undersigned continued on to Peru and the Dominican Republic, as indicated in the supplemental report.

Although our mission was undertaken several months ago, we believe our observations and recommendations are timely. I hope that the report will be useful to the committee in its consideration of legislation relating to this area.

EDWARD R. ROYBAL,
*Chairman, Special Study Mission to Chile, Peru, and the
Dominican Republic.*

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Union Calendar No. 795

89TH CONGRESS }
2d Session

HOUSE OF REPRESENTATIVES

{ REPORT
No. 1746

REPORT OF THE SPECIAL STUDY MISSION TO CHILE, PERU, AND THE DOMINICAN REPUBLIC

JULY 20, 1966—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. ROYBAL, from the Committee on Foreign Affairs, submitted the
following

R E P O R T

[Pursuant to a resolution (H. Res. 84) authorizing the Committee on Foreign
Affairs to conduct thorough studies and investigations of all matters coming
within the jurisdiction of such committee]

UNITED STATES

HOUSE OF REPRESENTATIVES
REPORT NO. 100

REPORT OF THE SELECT COMMITTEE ON THE MILITARY AND NAVAL ESTABLISHMENT

IN RESPONSE TO A RESOLUTION PASSED BY THE HOUSE OF REPRESENTATIVES
ON MAY 10, 1900

BY THE SELECT COMMITTEE ON THE MILITARY AND NAVAL ESTABLISHMENT
COMPOSED OF

REPORT

OF THE SELECT COMMITTEE ON THE MILITARY AND NAVAL ESTABLISHMENT
IN RESPONSE TO A RESOLUTION PASSED BY THE HOUSE OF REPRESENTATIVES
ON MAY 10, 1900

REPORT OF THE SPECIAL STUDY MISSION TO CHILE, PERU, AND THE DOMINICAN REPUBLIC

I. CHILE

A. INTRODUCTION

Last November we undertook a special study mission to Chile. Our goal was to obtain as thorough as possible a view of the entire U.S. assistance effort. We chose Chile for a number of reasons. It is a nation in which we have been concentrating a significant portion of our aid for several years. Our aid program there appeared to be using a variety of tools to encourage effective development. And recent Chilean political history suggested that sufficient national consensus for a meaningful assault on national economic and social problems may have been achieved.

During our stay in Chile, we had an opportunity for intensive discussions with U.S. Ambassador Ralph Dungan and US/AID Mission Chief John Robinson. We also talked at length with Peace Corps volunteers and other members of the U.S. country team in Chile.

Perhaps most important of all, we were able to talk with Chilean officials and legislators and obtain their opinions about the effectiveness of our aid effort. While we spent much of our time in and around the capital in Santiago, we were also able to visit Concepción and travel south to the city of Temuco and the village of Chol-Chol where U.S. religious missionaries are working with the village Mapuches Indians. Thus, we obtained an interesting combination of United States-Chilean and public-private comments on the U.S. aid program.

B. RECENT CHILEAN POLITICAL HISTORY

In 1964, President Eduardo Frei was elected in Chile and became the first Chilean President in the 20th century to win an absolute majority of the vote. Frei was the candidate of the Christian Democratic Party and defeated Dr. Salvador Allende, who represented a coalition of Communist and Socialist parties, and two more conservative candidates.

Both Frei and Allende called for economic and social reform and took their case to the people, but Allende was hurt by his Communist association. The Cuban missile crisis of 1962 had weakened the attraction of the Cuban example and cast doubts on the effectiveness of Soviet protection in the hemisphere.

Frei had been a member of the Chilean Senate and a former Minister of Public Works. While a young lawyer, he was one of the founders of the youth movement which became the predecessor of the Chilean Christian Democratic Party. In fact, his current program of reform for Chile reflects policy recommendations he first made in a book published in 1937.

The President's own electoral triumph was followed by significant gains for the Christian Democrats in the March 1965 congressional elections. Despite these gains, however, the Christian Democrats do not control the Senate.

An additional political problem is the relative weakness of the Christian Democrats in the rural areas. Although Frei captured 60.7 percent of the vote in the four major cities, he won only 51.4 percent in the small towns and rural areas. Traditionally, the Christian Democrats have had an urban base. It is the opinion of one recent analyst that "they have only just begun to take roots in the countryside and will not be firmly established there until a Christian Democratic government has implemented a real agrarian reform."¹ Significantly, President Frei endorsed an agrarian reform bill for submission to the Congress of Chile on November 22, 1965. The Chilean Chamber of Deputies has agreed to legislate on the issue and a bill has already been approved by the Chamber's Agriculture and Finance Committees. It is now pending on the floor of the Chamber.

C. PROGRAMS OF ASSISTANCE IN CHILE

1. *US/AID*

The U.S. aid program in Chile now makes use of a variety of tools for the encouragement of development. Three large program loans have been made under the Alliance for Progress to help finance essential imports and to support the public investment budget in fields such as education, health, and housing.

In addition, grants have been made for the improvement of tax and customs administration, the development of plans for transportation, agricultural development and industrial training, research in the social sciences, and for rural cooperative and cooperative education efforts.

Loans have been made for feasibility studies, private sector development, fertilizer imports and savings and loan funds, as well as for specific additions to the infrastructure base, such as airport and port construction and development.

There is also a Public Law 480 program. The escudo proceeds from the purchase of surplus foods under title I are going into low-cost housing, farm-to-market roads, and agricultural marketing facilities. The title IV proceeds go into public sector investment. Direct donations of food under title III go primarily to school-children. U.S. voluntary organizations are working with their Chilean counterparts to implement the program.

A degree of decentralized administration of the U.S. aid effort in Chile has been achieved through the Chile-California program of technical cooperation. The State of California, under contract with AID, is assisting in the planning and research of development projects. Since the beginning of the program in the spring of 1964, eight technical assistance project studies have been negotiated for a total U.S. cost of \$1,367,000. These studies are being conducted both in Chile and at California educational institutions and include such problem areas as transportation, agricultural development and manpower training. We talked with the Chilean and California officials involved in the program and learned that responsiveness in Chile to the project was heightened by its decentralized character and by its identification

¹ Halperin, "Nationalism and Communism in Chile," p. 194 (1965).

with California, a State with which Chile shares geographic similarities and close historic ties.

Such a program can be successful, however, only if the contractor, in this case the State of California, retains a significant degree of autonomy. At least one commentator has noted the difficulties of integrating personnel and retaining State initiative.²

The special study mission believes that the example of the Chile-California program should be considered elsewhere. This approach can have the advantage of permitting greater concentration of resources and personnel rather than a scatter-shot approach through which we now find a single State university or group involved in projects in a variety of countries.

In addition to the individual loan and grant funds negotiated for specific projects, the U.S. Ambassador has available to him a \$50,000 reimbursable Special Development Fund. According to AID regulations, the use of the Fund must meet the criteria for the Alliance for Progress contained in section 251 of the Foreign Assistance Act of 1961, as amended. Section (b) of section 251 provides that "Assistance furnished under this title shall be directed toward the development of human as well as economic resources."

The purpose of the Fund, as used in Chile, is to stimulate community self-help efforts through the financing of low-cost, quick impact projects. By policy decision, the U.S. contribution under this Fund represents only a portion of the total project cost. The balance comes from Chilean recipients in the form of labor, material, or funds. Preferred recipients are cooperatives and community associations. Proposals for the Fund's use come from the various members of the country team and a special committee reviews them under the guidance of the U.S. Ambassador.

Less than \$50,000 was spent in fiscal 1963, but the full \$50,000 was obligated in fiscal 1964 and 1965 and it is estimated that \$50,000 will be obligated in 1966. The funds have gone into such projects as carpentry and metal shop tools for a farmers' cooperative, building materials for a new school, and basic hand tools for secondary schools.

It is the opinion of the special study mission that this Special Development Fund should be one of our most important tools for self-help and community improvement, especially in the rural areas. The Fund should be used more extensively than in the past. Mission directors should be encouraged to use the initial \$50,000 allotment and to request additional allotments.

Increased use of the Fund should be accompanied by a greater effort at organized programing. All members of the country team should be encouraged to seek occasions for productive use of the fund. We recognize that accountability is more difficult in such projects than in the more traditional programs, but we do not consider this to be an insuperable obstacle to the imaginative use of the Fund.

2. *The Peace Corps*

There were 260 Peace Corps volunteers in Chile at the time of our visit. We met with a number of volunteers in Santiago, in Concepción, and in Temuco and were impressed with their dedication and enthusiasm for assisting the people of Chile.

Care must be taken in Chile and elsewhere to insure that the volunteers make a contribution in the form of a service that might not

² Dvorin, "The Chile-California Experiment," *Bulletin of Atomic Scientists*, p. 35 (November 1965).

otherwise be performed, rather than serve in positions that might be filled just as adequately by a Chilean. In addition, we believe that the formation of an intermediate level group, made up of volunteers with a higher degree of professional training, should be carefully explored.

3. *Inter-American Development Bank*

The Inter-American Development Bank, through its Social Progress Trust Fund, made two loans totaling \$3.5 million to Chile in 1965. This Fund, created by the United States and entrusted to the Bank for administration, now has resources of \$525 million. The loans in 1965 were for construction of low-cost housing and improved land use.³ Since the inception of the Fund 14 loan applications have been approved for Chile, not only to Government agencies, but to universities as well.⁴

In addition to the loan funds, the Bank provides technical assistance in the form of nonreimbursable grants for university modernization, research and the operation of specialized private organizations such as the United Consumer Cooperative. In 1965 the Bank approved technical assistance grants for Chile in the amount of \$123,000.

D. THE RURAL REVOLUTION

The dominant impression we formed in Chile was the need for more energetic efforts in the small towns and rural areas. This need is crucial not only to the balanced development of Chile but to the East-West struggle as well.

The Communists long have recognized the importance of the rural areas. Ché Guevara has written: "In underdeveloped America the countryside must be fundamentally the locale of the armed struggle."⁵ And the Chinese Defense Minister, Lin Piao, in his September 1965 article, carried the application of the Marxist theory of the revolt of the urban industrial workers to the countryside in his prediction of the inevitability of conflict between "the cities of the world" in North America and Western Europe, and the "rural areas of the world" in Latin America, Asia, and Africa.⁶ The recent Tri-Continental Conference underscored Communist efforts to subvert existing governments by sowing discontent in the rural areas.

The two principal opponents in the 1964 Chilean presidential election took a calculated risk in carrying their campaigns to the campesinos. President Frei's party, in particular, made a massive effort to confront the campesino with an effective political choice, based on promises of economic and social reform. Once aroused, the rural population will demand the promised reform, perhaps more quickly than it can be delivered. The danger in the meantime is that the Communist elements will move in and attempt to claim the ground the Christian Democrats attempted to stake out in 1964.

We can better appreciate the dimensions of the problem when we realize that on a per capita basis, Chilean agricultural production has actually declined in recent years. Between 1958 and 1964, agricultural production in Chile declined not only as a percentage of gross

³ Inter-American Development Bank, Social Progress Trust Fund, Fifth Annual Report, p. 33 (1965).

⁴ Id., at pp. 50-52.

⁵ Quoted in Draper, "Castroism Theory and Practice," p. 65 (1965).

⁶ Lin Piao article "Commemorating V-J Day Anniversary," Peking, NCNA International Service in English 1818 GMT2, September 1965-B.

domestic product but in absolute terms as well. This took place while population increased at an annual rate of 2.5 percent.

The obstacles to real rural reform in Chile are many. The traditional centralization of the Government structure continues to make government appear remote. In addition, there is a very real gap between the determination to bring government closer to the people and the necessary manpower and institutions to do so.

In short, much remains to be done before the Chilean Government can win the easy confidence, much less the popular support, of the rural population. Furthermore, government can be carried effectively to the people only if the decisionmaking process is decentralized along with the administration.

Our experience in the developing world with our aid program has taught us that government can administer the crucial development process only if it has the administrative capacity to execute programs, and the popular participation in government that lends credibility to its decisions. Our efforts in Chile, and elsewhere in Latin America, have been relatively effective in increasing governmental capacity, but deficient in the encouragement of broadened participation.

Broadened participation can result from an increase in national consciousness and a desire to see the country progress, from active participation in the political processes which result in policy decisions affecting the people, and through direct involvement in problem solving at a level close to the citizen.

We should seek to encourage the decentralization of public decision-making by encouraging the Chilean Government to place within reach of people, especially in the rural areas, the legal and economic resources that will enable them to move ahead on their own including the strengthening of local government. This can provide a sense of direction for the people involved and expose them to democratic experiences of mutual cooperation in pursuit of common goals.

Some of this effort can be conducted most effectively by private groups. At the present time there are few private U.S. organizations and agencies engaged in the vital task of assisting in the encouragement of broader popular participation in the decisions that affect their own lives. U.S. private groups must be shown the opportunities and encouraged to enter the field. They need the support and encouragement of United States and Chilean Government agencies.

Where private agencies have been active, deficiencies in U.S. support can sometimes be seen. In Chol-Chol, for example, a young Maryknoll missionary, together with a Dutch agronomist and his wife, who is a medical doctor, have made a significant contribution to the improvement of education and health conditions, and to the stimulation of self-help through the introduction of a cooperative vegetable garden project. They have had grave difficulties in obtaining a truck to help market the produce—an item that could spell the difference between success and failure of the project, and between hope and despair for the people in the area. Here is a place where the Special Development Fund, or the efforts of private voluntary associations could have singular impact.

Organizations such as the National Farmers Union, the U.S. Cooperative League, and the American Farm Bureau Federation can do much more to stimulate the formation of voluntary associations in Chile. The development and training of indigenous leadership

may be the most important contribution we can make to rural development and will be a byproduct of technological instruction and innovation. This training need not and should not take on an ideological character. Instruction in how to organize and conduct a meeting, how to raise funds and how to delegate responsibility is far more valuable.

An organization which has done a great deal in this area is the International Development Foundation. Through programs of training for local leadership and the encouragement of group development, IDF has made an enormous contribution. The US/AID program should specifically encourage and support nonprofit organizations such as IDF.

Labor is a critical field for rural development. The American Institute of Free Labor Development is currently at work in a number of Latin American countries. The presence on the AIFLD board of directors of a management representative of one of the leading U.S. business firms in Latin America appeared to raise some questions in the minds of some labor leaders in Chile. The rapid and revolutionary change taking place in Chile and elsewhere in the hemisphere requires great imagination and the realization that the labor movement in Latin America has tended to develop more along European than U.S. lines.

One of the principal roadblocks to self-help and community development in the rural areas has been the lack of adequate credit resources. The Inter-American Development Bank has made important contributions in this area. In 1965, for example, the Bank's Social Progress Trust Fund loaned \$1.5 million to the Agricultural Promotion Institute (INPROA). Proceeds from mortgage loans included in a land redistribution project will be used to extend credits to cooperatives. AID is helping the Chilean Government to extend more liberal cash and fertilizer credits to small farmers. We must do much more in this field by encouraging the establishment of credit institutions on a country or regional basis to serve the credit needs of local government, cooperatives, and community development efforts. Staffing should include competent development personnel so that technical and credit assistance can be forthcoming efficiently and with a minimum of procedural delay.

We welcome the increased concern in AID here in Washington for a new dimension of development. We recommend that AID give far greater priority to new programs that will broaden the popular base of development. Just as important is the inclusion of popular participation factors in the analysis of all programs and projects.

Finally, if the United States is to be fully effective in its efforts to assist other countries, the understanding in the recipient country of the ideology and motivation of the United States must be broadened. Two groups in the recipient country are of special importance: (a) the Members of the Congress, and (b) the active participants in the political parties.

So far as we can determine, the United States has made little effective effort to reach these groups except through the device of leadership visits to the United States. While these are useful and should be continued, they do not provide an adequate basis for a sustained dialog which leads to the greatest degree of understanding. Both in Chile and later in Peru we ran into evidence, for example, that the

U.S. participation in interparliamentary conferences deserved to be reexamined with a view to strengthening our role. We believe that the Department of State should center responsibility upon one person to insure that a maximum contribution from the U.S. Congress is encouraged at every opportunity.

Just as important is the strengthening of communication at the political level. We believe it would be highly desirable to encourage dialogs between persons active in the political processes of both our own and the other governments of Latin America. There is probably no other group either in the United States or in the other countries in which a better understanding of one another is more important.

Such understanding is not only needed to make our aid efforts more effective, it can also serve to directly strengthen the commitment of the participants to democratic values. We strongly urge that exploration of these possibilities be undertaken, perhaps by enlisting the cooperation of the two major political parties in the United States.

In a similar vein, we urge that serious attention be given to the various proposals to encourage political leadership training in Latin America. A variety of ways are open to make such training compatible with the sensitivities of political parties and of governments. Leadership training in organization skills, in democratic procedures, and in subjects related to social and economic development could contribute to the strengthening of democratic processes.

E. SUMMARY AND RECOMMENDATIONS

We believe that there is great hope to the success of a new kind of foreign assistance program in Chile. President Frei obviously is alert and sensitive to the need. The U.S. Ambassador, Ralph Dungan, is cognizant of the opportunities and has been imaginative and energetic in seeking new approaches. The Chilean political situation is such that the takeoff in broadening participation in decisionmaking by the people in the rural areas could be imminent.

To insure that U.S. assistance is effective in contributing to this effort, we propose a series of recommendations for implementation in the near future.

1. With respect to the current AID programs, we urge—

(a) The continuation of a variety of development tools, including program loans.

(b) Decentralization where possible of the administration of the aid program as illustrated by the Chile-California program.

(c) Development of a middle-level group of volunteers which could bring a higher degree of professional skills to the development process, particularly in rural development.

(d) Stepped-up support for training programs—

(I) For vocational and technical skills.

(II) For public administrators, particularly those who serve at local or state levels.

2. With respect to the need for programs aimed at expanding popular participation, we urge—

(a) Encouragement of the national recipient governments to strengthen local government including a grant of the necessary legal authority to permit effective local action.

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(b) Encouragement of community development programs, and support of participation by private nonprofit organizations in strengthening voluntary associations.

(c) Increased use of the Special Development Fund to stimulate self-help projects, and the development of credit institutions to service cooperatives, local government, and community development, accompanied by adequate technical assistance.

(d) Efforts to broaden contacts and communication at the political and parliamentary level.

(e) Exploration of acceptable modes of providing political leadership training.

(f) Efforts to incorporate popular participation in traditional forms of aid.

EDWARD R. ROYBAL.

DONALD M. FRASER.

F. BRADFORD MORSE.

SUPPLEMENTAL REPORT—PERU AND THE DOMINICAN REPUBLIC

The undersigned went on to Peru and to the Dominican Republic following the visit to Chile. Our visits to Lima and to Santo Domingo were for only a few days each, so that we are not making a detailed report on our aid program in those countries.

In general, our impressions in both countries strongly reinforced the conclusions set forth above. In Lima the AID mission was oriented toward programs which involved popular participation. The special development fund was effectively utilized through administrative techniques aimed at encouragement of its use. We were favorably impressed with the program being administered by the AID mission.

AID loans had been suspended for a number of months at the time of our visit to Lima because of the controversy over possible expropriation of oil property. The decision made several months ago to resume AID was overdue, in our opinion.

Our visit to Santo Domingo led us again to the importance of working with the people of the recipient country. Without attempting to make any judgment upon the intervention by the United States in the Dominican Republic in the spring of 1965, we gained the distinct impression that the United States lacked adequate communication with various groups and forces in that country. Unless the United States intends through its overwhelming presence in the Caribbean to literally run Dominican affairs, we need to be even more circumspect about our relationships with that country than with countries much further away. It will be essential that our diplomatic contacts not be limited to the elite, and that our aid programs, in addition to helping meet the pressing need of the central government to survive, move ahead vigorously with further support for the excellent community development program already existing, with greater efforts to develop the agricultural potential of that country, and with strong support for education and training. We again stress the importance of pursuing the recommendations made above with respect to broadening the base of popular participation in the development efforts. We were impressed with what we saw of the AID program but believe that much more must be done in order to give the people of that country an opportunity to reclaim fully their birthright of independence and national self-respect.

EDWARD R. ROYBAL.
DONALD M. FRASER.

ESTABLISHED RECORDS AND THE
FUTURE

The records of the past are the foundation of the future. They are the only way we can know what has happened, and they are the only way we can learn from our mistakes. Without records, we would be like a person who has never read a book or seen a picture. We would have no way of knowing what the world was like before we were born, and we would have no way of knowing what the world is like now. Records are the only way we can keep track of our progress, and they are the only way we can make sure that we are going in the right direction. They are the only way we can make sure that we are not repeating the mistakes of the past. Records are the only way we can make sure that we are building a better future for ourselves and for the world.

Records are also the only way we can make sure that we are not losing touch with our roots. They are the only way we can make sure that we are not forgetting the things that made us who we are. Records are the only way we can make sure that we are not losing sight of the things that are important to us. They are the only way we can make sure that we are not losing sight of the things that are important to the world. Records are the only way we can make sure that we are not losing sight of the things that are important to the future. They are the only way we can make sure that we are not losing sight of the things that are important to the world.

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